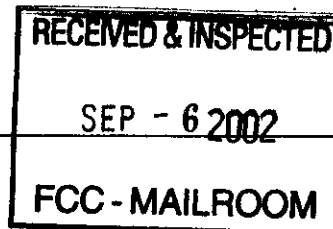




PUBLIC NOTICE

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Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554



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DA 02-2129
Released: August 29, 2002

COMMENTS REQUESTED IN CONNECTION WITH QWEST'S PENDING SECTION 271 APPLICATIONS

WC Docket Nos. 02-148 and 02-189

Comments Due: September 4, 2002

On August 28, 2002, August 26, 2002, and August 20, 2002, the Commission received the attached *ex parte* filings from Qwest Communications International Inc. ("Qwest") in the above-referenced dockets.¹ These *ex parte* filings revise certain declarations, contained in Qwest's section 271 applications, addressing Qwest's compliance with section 272 and the Commission's implementing rules. Specifically, the revised declarations and the associated *ex parte* filings concern the ability of Qwest to certify that its financial statements are accounted for in accordance with Generally Accepted Accounting Principles ("GAAP").²

We now seek comment on these *ex parte* filings. We have established a short comment period due to the imminent deadline for ruling on Qwest's application in WC Docket No. 02-148.³ Without deciding what reliance, if any, the Commission will place on this information, the Commission encourages interested parties to respond to this evidence. We emphasize that this public notice does not represent a decision about whether we will accord any weight to the supplemental evidence. The Commission expects that a section 271 application, as originally filed, will include all of the factual evidence on which the applicant would have the Commission

¹ Letter from Douglas A. Klein, Attorney for Qwest Communications International Inc., to Marlene H. Dortch, Secretary, Federal Communications Commission, CC Docket Nos. 02-148 and 02-189 (filed August 28, 2002) (Qwest August 28 *Ex Parte* Letter); Letter from R. Steven Davis, Senior Vice President, Policy and Law, Qwest, to Marlene H. Dortch, Secretary, Federal Communications Commission, CC Docket Nos. 02-148 and 02-189 (filed August 26, 2002) (Qwest August 26 *Ex Parte* Letter); Letter from Oren G. Shaffer, Vice Chairman and Chief Financial Officer, Qwest Communications International Inc., to Marlene H. Dortch, Secretary, Federal Communications Commission, CC Docket Nos. 02-148 and 02-189 (filed August 20, 2002) (Qwest August 20 *Ex Parte* Letter).

² Qwest August 20 *Ex Parte* Letter at 2.

³ Comments addressing Qwest's *ex parte* filings should be submitted in both of the above-referenced dockets.

rely in making its determination.⁴ If parties in a section 271 proceeding choose to submit new evidence, however, the Commission retains the discretion to waive its procedural rules and consider the evidence,⁵ "to start the 90-day review process anew, or to accord such evidence no weight."⁶

Comments By Interested Third Parties. Pursuant to our procedures governing section 271 applications⁷ and sections 1.415 and 1.419 of the Commission's rules, 47 C.F.R. §§ 1.415, 1.419, interested parties may file comments on such information. Comments must be filed by **September 4, 2002**. We waive section 1.45 of the Commission's rules insofar as it permits reply comments. All such filings shall refer to the Commission docket numbers, **WC Docket Nos. 02-148 and 02-189**. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. See Electronic Filing of Documents in Rulemaking Proceedings, 63 Fed. Reg. 24121 (1998). Comments filed through the ECFS can be sent as an electronic file via the Internet to <<http://www.fcc.gov/e-file/ecfs.html>>. Generally, only one copy of an electronic submission must be filed. If multiple docket or rulemaking numbers appear in the caption of this proceeding, however, commenters must transmit one electronic copy of the comments to each docket or rulemaking number referenced in the caption. In completing the transmittal screen, commenters should include their full name, U.S. Postal Service mailing address, and the applicable docket or rulemaking number. To get further instructions for e-mail comments, commenters should send an e-mail to ecfs@fcc.gov, and should include the following words in the body of the message, "get form <your e-mail address>." A sample form and directions will be sent in reply.

If a party chooses to file comments by paper, an original and four copies must be sent to Marlene H. Dortch, Secretary, Office of the Secretary, Federal Communications Commission, 445 12th Street, SW, CY-B402, Washington, D.C., 20554. Fifteen additional paper copies of each comment must be delivered to Janice Myles, Wireline Competition Bureau, 445 12th Street,

⁴ See Application of Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934, as amended, To Provide In-Region, InterLATA Services in Michigan, Memorandum Opinion and Order, 12 FCC Rcd 20543, 20570, para. 49 (1997), *writ of mandamus issued sub nom. Iowa Utils. Bd. V. FCC*, No. 96-3321 (8th Cir. Jan. 22, 1998) (*Ameritech Michigan Order*); *Procedures for Bell Operating Company Applications Under New Section 271 of the Communications Act*, Public Notice, 11 FCC Rcd 19708, 19711 (Dec. 6, 1996); *Revised Comment Schedule for Ameritech Michigan Application, as amended, for Authorization under Section 271 of the Communications Act to Provide In-Region, InterLATA Service in the State of Michigan*, Public Notice, DA 97-127 (Jan. 17, 1997); *Revised Procedures for Bell Operating Company Applications Under Section 271 of the Communications Act*, Public Notice, 13 FCC Rcd 17457 (Sept. 19, 1997); *Updated Filing Requirements for Bell Operating Company Applications Under Section 271 of the Communications Act*, Public Notice, DA-99-1994 (Sept. 28, 1999) (collectively "271 Procedural Public Notices").

⁵ See section 1.3 of the Commission's rules, 47 C.F.R. § 1.3.

⁶ *Ameritech Michigan Order* at 20575, para. 57; Application of Bell Atlantic New York for Authorization Under Section 271 of the Communications Act To Provide In-Region, InterLATA Service in the State of New York, Memorandum Opinion and Order, 15 FCC Rcd 3953, 3968, para. 34 (1999).

⁷ See 271 Procedural Public Notices.

S.W., Room 5-C327, Washington, D.C., 20554. One copy of each paper comment must be sent to the Commission's duplicating contractor, Qualex International, Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC, 20554.

All filings must contain the docket or rulemaking number that appears in the caption of this proceeding. If more than one docket or rulemaking number appears in the caption, commenters must submit two additional copies for each additional docket or rulemaking number. Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail). The Commission's contractor, Vistronix, Inc., will receive hand-delivered or messenger-delivered paper filings for the Commission's Secretary at 236 Massachusetts Avenue, N.E., Suite 110, Washington, D.C. 20002. The filing hours at this location are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building. Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743. The filing hours at this location are 8 a.m. to 5:30 p.m. First-class U.S. Postal Service mail, Express Mail, and Priority Mail should be addressed to 445 12th Street, SW, Washington, D.C. 20554. All filings must contain the Docket Number, and must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

In accordance with the Commission's earlier Public Notice announcing that hand-delivered or messenger-delivered filings are no longer accepted at the Commission's headquarters, **hand-delivered or messenger-delivered filings must be delivered to 236 Massachusetts Avenue, NE, Suite 110, Washington, DC 20002.**⁸

Filings and comments are available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW, Room CY-A257, Washington, DC, 20554. They may also be purchased from the Commission's duplicating contractor, Qualex International, Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC, 20554, telephone (202) 863-2893, facsimile (202) 863-2898, or via e-mail qualexint@aol.com.

| If you are sending this type of document or using this delivery method... | It should be addressed for delivery to... |
|--|--|
| Hand-delivered or messenger-delivered paper filings for the Commission's Secretary | 236 Massachusetts Avenue, NE, Suite 110, Washington, DC 20002 (8:00 a.m. to 7:00 p.m.) |

⁸ See Public Notice, FCC Announces New Filing Location for Paper Documents, DA 01-2919 (rel. December 14, 2001).

August 20, 2002



Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

**Re: Ex Parte Statement
Applications of Qwest Communications International Inc. for
Authorization Under Section 271 of the Communications Act
WC Dockets No. 02-148 and 02-189**

Dear Ms. Dortch:

This letter provides information regarding ongoing analysis of the accounting policies and practices of Qwest Communications International Inc. ("QCII") and its affiliates. QCII is analyzing these matters in consultation with its new auditors, KPMG LLP ("KPMG"), and, in addition, has underway a review of its internal controls. Based on such work, this letter updates and corrects information contained in the above-referenced application related to compliance with generally accepted accounting principles ("GAAP").

As the Commission has found, Section 272 is designed to "discourage and facilitate the detection of improper cost allocation and cross-subsidization between the BOC and its section 272 affiliate," and to "ensure that BOCs do not discriminate in favor of their section 272 affiliates." *SBC Communications Inc.*, 16 FCC Rcd 6237, para. 122 (2001). QCII's analysis to date has found that transactions between Qwest Communications Corporation ("QCC"), its Section 272 affiliate, and Qwest Corporation ("QC"), the BOC, have been, and are, accounted for in compliance with GAAP. Note that in 2001 Qwest put in place additional controls that KPMG, the independent auditor, verified were reasonably designed to ensure such compliance. Nothing in the accounting review to date indicates errors have occurred in this area.

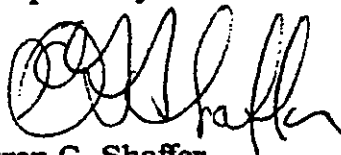
The Commission's implementation of Section 272(b)(2) also requires that QCC maintain its books, records, and accounts in accordance with GAAP. See *Implementation of the Non-Accounting Safeguards of Sections 271 and 272, First Report and Order and Further Notice of Proposed Rulemaking*, 11 FCC Rcd 21905, para. 170 (1996). QCII's internal investigations have now identified, with respect to the QC and QCC financial statements, (1) accounting transactions for QCC that did not comply with the requirements of GAAP, and (2) certain potential adjustments to the financial statements of QC that may be necessary to comply with GAAP. Additional analysis is in progress regarding these matters. The paragraphs in the

Declarations of Judith L. Brunsting and Marie E. Schwartz that addressed GAAP compliance for QCC and QC were believed to be true when submitted. See Declaration of Judith L. Brunsting (QCC) ¶ 29 (June 13, 2002 - Docket No. 02-148); Declaration of Judith L. Brunsting (QCC) ¶ 29 (July 12, 2002 - Docket No. 02-189); Declaration of Marie E. Schwartz (QC) ¶¶ 48, 85-86 (June 13, 2002 - Docket No. 02-148); and Declaration of Marie E. Schwartz (QC) ¶¶ 47, 84-85 (July 12, 2002 - Docket No. 02-189). In light of the developments in the ongoing internal investigation, QCII is currently unable to certify that QCC's or QC's financial statements are accounted for consistently with GAAP, and the paragraphs of the Declarations are impacted accordingly.

It is important to note that the focus of Section 272 is on the relationship between the BOC and the Section 272 affiliate. The GAAP issues identified here do not implicate the Act's concerns regarding improper cost allocation, cross-subsidization and discrimination. As a result, these matters do not affect Qwest's showing that the requested authorization will be carried out in accordance with the requirements of Section 272. Similarly, these matters do not implicate QC's compliance with the market-opening obligations under Section 271.

Qwest takes its obligation to be in compliance with GAAP seriously, and is committed to compliance with GAAP in all circumstances. When Qwest completes its analysis, it expects to restate the QCII financial statements for prior periods and to implement all necessary additional controls designed to ensure QCC's and QC's compliance with GAAP with respect to all financial reporting, as it has already done with respect to transactions between QCC and the BOC.

Respectfully submitted,



Oren G. Shaffer
Vice Chairman and Chief Financial Officer
Qwest Communications International Inc.

cc: William F. Maher, Jr.
Michelle Carcy
Michael Carowitz
John Rogovin
Debra Weiner
Richard Welch

Qwest
1801 California Street, Suite 4700
Denver, Colorado 80202
Phone 303 896 4200
Facsimile 303 298 8763

R. Steven Davis
Senior Vice President
Policy and Law

Qwest. 

August 26, 2002

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: *Application by Qwest Communications International, Inc. for Authorization To Provide In-Region InterLATA Services in the States of Colorado, Idaho, Iowa, Nebraska, and North Dakota (Dkt. No. 02-148)*

Application by Qwest Communications International, Inc. for Authorization To Provide In-Region InterLATA Services in the States of Montana, Utah, Washington, and Wyoming (Dkt. No. 02-189)

Dear Ms. Dortch:

Enclosed at the staff's request is additional information concerning the applicability of section 272 to Qwest's pending applications. As demonstrated in the attached verified letter of Oren G. Shaffer, Qwest Communications International Inc.'s (QCII) recently appointed Vice Chairman and Chief Financial Officer, to the best of our knowledge, and subject to the statements made in the attached letter, Qwest Communications Corporation (QCC) and Qwest Corporation (QC) maintain their books, records and accounts in the manner prescribed by the Commission, including maintaining them in accordance with Generally Accepted Accounting Principles (GAAP). QCII's current accounting review is thus consistent with QCII's substantial showing on the question before this Commission: whether 271 authority "will be carried out in accordance with the requirements of section 272." 47 U.S.C. § 271(d)(3)(B). The answer is that it will.

Mr. Shaffer also states in his attached letter that QCII is fully committed to maintaining its books, records and accounts, and those of its affiliates, in accordance with GAAP. As is well known, QCII is currently engaged in a comprehensive review of past accounting decisions. This review incorporates the views of new QCII management, including Mr. Shaffer, and the company's new auditors, KPMG LLP (KPMG).

As a result of that review, certain past accounting decisions are under review as set forth in public disclosure filings made by Qwest on July 28, and August 8, Mr. Shaffer reconfirms that none of the transactions under review involve dealings between QC, the BOC, and QCC, the



section 272 affiliate.¹ Qwest is meeting the requirements of section 272, which are intended to “discourage and facilitate the detection of improper cost allocation and cross-subsidization between the BOC and its section 272 affiliate,” and to “ensure that BOCs do not discriminate in favor of their section 272 affiliates.”² Thus, none of the transactions under review implicate the concerns underlying section 272.

As described in the declaration of Ms. Schwartz attached to its 271 applications and cited in Mr. Shaffer’s August 20 letter filed in these proceedings, QCII takes its obligations regarding affiliate transactions between QC and QCC very seriously. As a part of its state reviews, it undertook a special verification designed to ensure that all dealings between QC and QCC conform with the requirements of section 272 and GAAP. In late 2001, QCII engaged KPMG to independently test its compliance with certain aspects of section 272 and the Commissions rules and regulations (specifically sections 272 (b)(2), 272 (b)(5) and 272 (c)(2), and C.F.R. section 32.27) in this regard. Following that review in 2001, KPMG found certain discrepancies, all but one of which had previously been identified by Qwest, and the net financial impact of which was actually to the disadvantage of QCC.³ Furthermore, following that review, Qwest implemented further controls and retained KPMG in December of 2001 to conduct yet another review to verify that the discrepancies it had previously identified had been corrected and that controls were reasonably designed to prevent and detect non-compliance going forward in the transactions between QC and QCC.⁴ KPMG confirmed these points⁵ and all nine of the state commissions in the states included in Qwest’s filings have agreed. Based on the corrections made and these additional controls, and the additional analysis that has occurred in connection with the current review, we can affirm that the transactions between QCC and QC have been, and are, accounted for in accordance with GAAP.

More specifically, with respect to QC, section 272(c)(2) requires that it will “account for all transactions with an affiliate described in subsection (a)” — *i.e.*, the section 272 affiliate — “in accordance with accounting principles designated or approved by the Commission.”⁶ As just noted, the additional controls referenced above were designed to ensure that QC accounts for its transactions *with QCC* in accordance with GAAP. As Mr. Shaffer confirms in his attached letter

¹ On July 28, 2002 when Qwest was in a position to report that restatement may be necessary, it identified four issues: optical capacity sales by QCC to third parties, certain equipment sales by QCC to third parties, accounting for telecommunications services in transactions between QCC and third party carriers, and QwestDex directory publishing matters. The company also is evaluating whether restatement of financial statements for past periods would be required in connection with certain other matters. None of these matters relate to transactions between QCC and QC, and therefore none implicate section 272.

² *SBC Arkansas-Missouri Order*, 16 FCC Rcd 20719, ¶ 122 (2001).

³ *See, e.g.*, Declaration of Marie E. Schwartz ¶ 25 (June 13, 2002).

⁴ *See, e.g.* Declarations of Marie E. Schwartz ¶¶ 23-27 (June 13, 2002 and July 12, 2002); the following exhibits attached to both Schwartz Declarations: MES-272-3 (KPMG LLP Report, November 9, 2001 (with cover brief and November 15, 2001 Schwartz affidavit)) and MES-272-4 (Jacobsen KPMG Declaration, December 14, 2001); Declaration of Judith L. Brunsting ¶¶ 58-61 (June 13, 2002), Declaration of Judith L. Brunsting ¶¶ 59-62 (July 12, 2002) and exhibit JLB-272-17 (Affidavit of Judith L. Brunsting, November 15, 2001) attached to the June 13, 2002 and July 12, 2002 Declarations of Judith L. Brunsting..

⁵ *Id.*

⁶ 47 U.S.C. § 272(c)(2). The “accounting principles designated or approved by the Commission” in this context are GAAP. *See Accounting Safeguards Order* ¶¶ 44, 108; 47 C.F.R. §§ 32.1, 32.12.

(at p.1), the transactions between QCC and QC have been, and are, accounted for in accordance with GAAP.

With respect to QCC, section 272(b)(2) similarly requires a section 272 affiliate to "maintain books, records, and accounts in the manner prescribed by the Commission which shall be separate from the books, records, and accounts maintained by the Bell Operating Company of which it is an affiliate." Section 272(b)(2) was implemented in tandem with section 272(c)(2), and the Commission has likewise chosen to prescribe GAAP as the appropriate way of maintaining such books, records, and accounts.⁷ As stated above, the transactions between QCC and QC have been, and are, accounted for in accordance with GAAP. Mr. Shaffer also confirms that subject to the restatement of financial reports for prior periods to reflect appropriate beginning balances, QCC maintains its books, records, and accounts in the manner prescribed by the Commission, including maintaining its books, records, and accounts in accordance with GAAP. This satisfies QCC's obligations under section 272(b)(2).

Qwest regrets any confusion that may have been caused by the August 20, 2002 letter from Mr. Shaffer. As QCII has noted in that letter, it cannot presently certify the financial statements of QCII⁸ or QC until its pending accounting review is completed. However, that is *not* because of any failure of either entity to follow GAAP with respect to QC-QCC transactions, or any failure to maintain books, records and accounts in accordance with GAAP today or in the future. Rather, as Mr. Shaffer explains in his attached letter, that is because the beginning balances for the current quarter are derived from prior quarters and must include a cumulative effect with respect to data for *past* transactions that QCII will restate. Until the scope of any restatements is resolved, the pendency of such restatements will impact current accounts in that respect.

The August 20, 2002 letter from Mr. Shaffer, indicated that the June 13, 2002, and July 19, 2002 declarations of Ms. Brunsting and Ms. Schwartz were "impacted accordingly." None of the information provided in the August 20, 2002 letter, or in the attached letter, makes the language in those declarations incorrect. However, Qwest said that the declarations were "impacted accordingly" because if those declarations had been submitted today, we would add to them the discussion in the preceding paragraph which can be summarized as follows: "QCII is unable to certify its current financials because the beginning balances for the current quarter are derived from prior quarters and must include a cumulative effect with respect to data for past matters requiring a restatement of QCII's financial reports."

Qwest meets the requirements of section 272 today, and will do so upon and after approval of its pending applications under section 271. In short, the recent accounting issues identified in QCII's August 20 letter do not affect QCII's showing that "the requested

⁷ *Accounting Safeguards Order* ¶ 170. The Commission has phrased its incorporation of GAAP for section 272 affiliates somewhat more broadly than for BOCs under 47 U.S.C. § 272(c)(2). The Commission has determined that its requirement of GAAP for the section 272 affiliate is designed to "result in a uniform audit trail" in its transactions with the BOC. *Id.* The main reason the Commission required the section 272 affiliate to comply with GAAP was to create accounting uniformity and a uniform audit trail to facilitate enforcement of the affiliate transaction rules with respect to transactions between the BOC and the section 272 affiliate.

⁸ The financials of QCC are reported in the financial statements of QCII.

authorization will be carried out in accordance with the requirements of section 272." 47 U.S.C. § 271(d)(3)(B). Indeed, this commitment is demonstrated by the comprehensive analysis underway. QCII is committed to following GAAP and is committed to maintaining books, records and accounts in accordance with GAAP both now and in the future.

Section 272 involves a "predictive judgment regarding the future behavior of the BOC." *Ameritech Michigan* ¶ 347. The record here permits the Commission to make that judgment with respect to Qwest. The record establishes that QCC and QC meet the requirements of section 272(b)(2) and (c)(2), respectively. To the best of our knowledge, and subject to the statements made in the attached letter, QCC and QC maintain their books, records and accounts in the manner prescribed by the Commission, including maintaining them in accordance with GAAP. Additionally, the Commission can rely on the extensive and successful efforts by the company to ensure that the transactions between QC and QCC are accounted for in accordance with GAAP. None of the accounting issues being discussed effect the transactions between QC and QCC, and it is those transactions that are the focus of section 272. The Commission can also rely on the strong commitment of Qwest and its current management and auditors to see that books, records and accounts in general are maintained in accordance with GAAP. And it can rely on the current inquiry into past accounting periods, and the commitment to make any appropriate restatements, as further support for a conclusion that QCC and QC will maintain books, records and accounts in accordance with GAAP upon the BOC's receipt of section 271 authority. QCII has demonstrated its compliance with, and commitment to, section 272. And as the Commission has repeatedly noted, the upcoming biennial audit requirements of section 272(d) provide further assurance of QCII's continued compliance.⁹

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'R. Steven Davis', written over a horizontal line.

R. Steven Davis

Senior Vice President, Policy and Law

⁹

See, e.g., BANY Order ¶ 412; SBC-Texas Order ¶ 406.



Qwest
1801 California Street, Suite 5200
Denver, Colorado 80202
Phone 303 992-6736
Facsimile 303 296-4920

Oren G. Shaffer
Executive Vice President
Chief Financial Officer

August 26, 2002

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

**Re: Applications of Qwest Communications International Inc.
WC Docket Nos. 02-148 and 02-189**

Dear Ms. Dortch:

On behalf of Qwest Communications International Inc. ("QCII"), this serves as a supplement to my letter dated August 20, 2002. Subject to the restatement of financial reports for prior periods to reflect appropriate beginning balances, Qwest Communications Corporation (QCC) and Qwest Corporation (QC) maintain their books, records, and accounts in the manner prescribed by the Commission, including maintaining their books, records, and accounts in accordance with Generally Accepted Accounting Principles (GAAP).

As the Commission has found, section 272 is designed to "discourage and facilitate the detection of improper cost allocation and cross-subsidization between the BOC and its section 272 affiliate," and to "ensure that BOCs do not discriminate in favor of their section 272 affiliates." *See, e.g., Arkansas/Missouri 271 Order*, 16 FCC Rcd 20719, para. 122 (2001). The transactions between QCC, the section 272 Affiliate, and QC, the BOC, have been, and are, accounted for in accordance with GAAP. QCC and QC are committed to continue these policies going forward.

In my August 20 letter, I wrote that QCII is unable to certify that QCC's or QC's financial statements are accounted for consistently with GAAP. The reason for this is that QCII anticipates restatement of financial statements for prior periods. Financial statements are cumulative in nature. Each time QCII issues a financial statement the current statements contain beginning and prior year balances that reflect past accounting

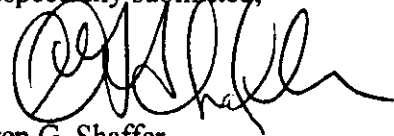
judgments or interpretations under GAAP. I am unable to certify the current financial statements, because they build on the past financial statements which I have indicated that QCII will be restating. Similarly, as a part of the ongoing review, we are analyzing whether any adjustment to QC's past financial statements is necessary. This inability to certify current financial statements does not indicate any issue with the manner in which QCC and QC are conducting business today or accounting for transactions on a going-forward basis. None of the transactions under review are between QCC and QC. QCC and QC are accounting for transactions in accordance with GAAP for their current and future operating activities.

In my August 20, 2002 letter, I indicated that the declarations of Marie E. Schwartz and Judith L. Brunsting referenced in that letter were "impacted accordingly." For the foregoing reasons, those declarations were correct when written and the information that I have provided does not make them incorrect. I used the term "impacted accordingly" because if those declarations had been submitted today, we would add to them the discussion in the preceding paragraph about the incorporation of beginning balances in the financial statements from past periods which can be summed up as follows: "QCII is unable to certify its current financials because the beginning balances for the current quarter are derived from prior quarters and must include a cumulative effect with respect to data for *past* matters requiring a restatement of QCII's financial reports."

To the best of our knowledge, and subject to the statements made in the preceding paragraphs, QCC and QC maintain their books, records, and accounts in the manner prescribed by the Commission, including maintaining them in accordance with GAAP.

QCII has new management and a new independent auditor, KPMG LLP. It is the policy of QCC and QC to comply with GAAP and these companies are committed to compliance with GAAP. As QCII has indicated publicly, Qwest is conducting a thorough analysis of accounting practices for past periods, and restatements for those periods will be made. This analysis is among other things a comprehensive analysis by both internal and external experts to ensure that QCII's accounting practices are transparent and comply with GAAP, and that any new internal controls that are needed will be identified and implemented. This review of past accounting practices is ongoing and is expected to take several months before it is completed. Once the ongoing analysis is concluded, audited restated financial statements will be filed.

Respectfully submitted,

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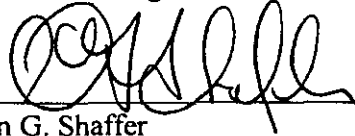
Oren G. Shaffer

Vice Chairman and Chief Financial Officer
Qwest Communications International Inc.

VERIFICATION

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 26, 2002.

A handwritten signature in black ink, appearing to read 'Oren G. Shaffer', is written over a horizontal line.

Oren G. Shaffer

HOGAN & HARTSON

L.L.P.

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August 28, 2002

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W., Room TWB-204
Washington, D.C. 20554

Re: Ex parte filings, WC Docket Nos. 02-148 and 02-189

Dear Ms. Dortch:

In ex parte filings yesterday in the above-referenced dockets, some intended highlighting of certain text did not show up. Enclosed is another copy of the filings with the highlighting visible.

Respectfully submitted,



Douglas A. Klein
Attorney for Qwest Communications
International Inc.

Enclosures

HOGAN & HARTSON
L.L.P.

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August 27, 2002

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W., Room TWB-204
Washington, D.C. 20554

Re: *Application by Qwest Communications International, Inc. for
Authorization To Provide In-Region InterLATA Services in the States of
Colorado, Idaho, Iowa, Nebraska, and North Dakota (Dkt. No. 02-148)*

*Application by Qwest Communications International, Inc. for
Authorization To Provide In-Region InterLATA Services in the States of
Montana, Utah, Washington, and Wyoming (Dkt. No. 02-189)*

Dear Ms. Dortch:

As requested by the Staff, enclosed are the following documents:

1. Revised version of paragraph 29(a) of the June 13, 2002 Declaration of Judith L. Brunsting (Dkt. No. 02-148) with attached verification.
2. Revised version of paragraph 29(a) of the July 12, 2002 Declaration of Judith L. Brunsting (Dkt. No. 02-189) with attached verification.
3. Revised version of paragraph 48 of the June 13, 2002 Declaration of Marie E. Schwartz (Dkt. No. 02-148) with attached verification.
4. Revised version of paragraph 47 of the July 12, 2002 Declaration of Marie E. Schwartz (Dkt. No. 02-189) with attached verification.

Marlene H. Dortch
Secretary
Federal Communications Commission
August 27, 2002
Page 2

These documents are provided as a follow-up to the August 26, 2002, verified letter of Mr. Oren G. Shaffer, filed in the above-captioned dockets yesterday as an attachment to the Letter of Mr. R. Steven Davis of the same date. No language in the attached paragraphs, or elsewhere in these declarations, is modified or deleted. The attached paragraphs contain additional language consistent with the letter of Mr. Shaffer, and for the reasons stated therein. For the convenience of the Commission, additional copies of the paragraphs marked to show changes are provided as well. If any questions arise in connection with this matter, please contact the undersigned.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Douglas A. Klein".

Peter A. Rohrbach
Douglas A. Klein
Attorneys for Qwest Communications
International Inc.

Enclosures

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

| | | |
|--|---|-----------------------------|
| In the Matter of |) | |
| |) | |
| Qwest Communications |) | WC Docket No. 02-148 |
| International Inc. |) | |
| |) | |
| Consolidated Application for Authority |) | |
| to Provide In-Region, InterLATA Services |) | |
| in Colorado, Idaho, Iowa, Nebraska |) | |
| and North Dakota |) | |

DECLARATION OF JUDITH L. BRUNSTING

**Section 271(d)(3)(B)
Compliance with Section 272 by the 272 Affiliate**

29. Section 272(b)(2) requires the 272 Affiliate to maintain books, records, and accounts separate from the books, records, and accounts of the BOC.

Several facts show that the 272 Affiliate satisfies this provision:

- a. The 272 Affiliate follows Generally Accepted Accounting Principles ("GAAP"), as adopted by the FCC in Docket 96-150. GAAP requires accrual accounting, which is the practice followed by the 272 Affiliate. The 272 Affiliate's books, records, and accounts are maintained in accordance with GAAP and consolidated into Qwest Communications International Inc.'s financials. Qwest Communications International Inc. is a publicly held corporation subject to federal securities statutes and reports its financial activities in accordance with GAAP. QCIH is unable to certify its current financials because the beginning balances for the current quarter are derived from prior quarters and must include a cumulative effect with respect to data for past matters requiring a restatement of QCIH's financial reports. This inability to certify current financial statements does not indicate any issue with the manner in which QCC and QC are conducting business today or accounting for transactions on a going-forward basis. None of the past matters under review are transactions between QCC and QC. See also the verified letter of Oren G. Shaffer, dated August 26, 2002, that addresses the issue of restatement of financials as it relates to GAAP compliance for the 272 Affiliate.

VERIFICATION

I declare under penalty of perjury that the foregoing is true and correct, and that my June 13, 2002, declaration filed in this docket is true and correct.

Executed on August 27, 2002.


Judith L. Brunsting

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

| | | |
|--|---|-----------------------------|
| In the Matter of |) | |
| |) | |
| Qwest Communications |) | WC Docket No. 02-189 |
| International Inc. |) | |
| |) | |
| Consolidated Application for Authority |) | |
| to Provide In-Region, InterLATA Services |) | |
| in Montana, Utah, Washington, |) | |
| and Wyoming |) | |

DECLARATION OF JUDITH L. BRUNSTING

**Section 271(d)(3)(B)
Compliance with Section 272 by the 272 Affiliate**

29. Section 272(b)(2) requires the 272 Affiliate to maintain books, records, and accounts separate from the books, records, and accounts of the BOC.

Several facts show that the 272 Affiliate satisfies this provision:

- a. The 272 Affiliate follows Generally Accepted Accounting Principles ("GAAP"), as adopted by the FCC in Docket 96-150. GAAP requires accrual accounting, which is the practice followed by the 272 Affiliate. The 272 Affiliate's books, records, and accounts are maintained in accordance with GAAP and consolidated into Qwest Communications International Inc.'s financials. Qwest Communications International Inc. is a publicly held corporation subject to federal securities statutes and reports its financial activities in accordance with GAAP. QCII is unable to certify its current financials because the beginning balances for the current quarter are derived from prior quarters and must include a cumulative effect with respect to data for *past* matters requiring a restatement of QCII's financial reports. This inability to certify current financial statements does not indicate any issue with the manner in which QCC and QC are conducting business today or accounting for transactions on a going-forward basis. None of the past matters under review are transactions between QCC and QC. *See also* the verified letter of Oren G. Shaffer, dated August 26, 2002, that addresses the issue of restatement of financials as it relates to GAAP compliance for the 272 Affiliate.

VERIFICATION

I declare under penalty of perjury that the foregoing is true and correct, and that my July 12, 2002, declaration filed in this docket is true and correct.

Executed on August 27, 2002.


Judith L. Brunsting

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

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DECLARATION OF MARIE E. SCHWARTZ

**Section 271(d)(3)(B)
Compliance with Section 272 by the BOC**

48. The BOC follows Generally Accepted Accounting Principles ("GAAP"), including accrual accounting, to properly record expenses in the period incurred. The audit opinion of Qwest's external auditors, Arthur Andersen, L.L.P. ("Arthur Andersen") confirms that the BOC follows GAAP in all material respects. See Exhibit MES-272-6, the Report of Independent Public Accountants filed with the Qwest Corporation Annual Report 10-K for year 2001. The BOC also follows regulatory accounting rules as required by the FCC. The BOC's books, records, and accounts are maintained in accordance with USOA, Part 32.27, and Part 64.901, Allocation of Costs. In the past, the FCC's Part 64 and CAM audits have never reported a finding that the BOC was not following GAAP. Annual reports are filed publicly via the FCC's Automated Reporting Management Information System ("ARMIS") and are accompanied by the report of independent accountants, Arthur Andersen, which also has found no material departures from GAAP.¹ The Report of Independent Public Accountants that was filed with the FCC ARMIS 43-03 report for 2001 is attached as Exhibit MES-272-7. QCII is unable to certify its current financials because the beginning balances for the current quarter are derived from prior quarters and must include a cumulative effect with respect to data for past matters requiring a restatement of QCII's financial reports. As part of an ongoing

^{1/} In *Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase I*, Report and Order, CC Docket No. 99-253, FCC 00-78, 15 FCC Rcd 8690 (rel. Mar. 8, 2000), the FCC gave carriers the option of choosing an attest examination or financial audit every two years covering the prior two-year period. The rules became effective September 28, 2000. See 65 Fed. Reg. 58,661 (2000). Thus, the audit

review, we are analyzing whether any adjustment to QC's past financial statements is necessary. This inability to certify current financial statements does not indicate any issue with the manner in which QC is conducting business today or accounting for transactions on a going-forward basis. None of the past matters under review are transactions between QCC and QC. *See also* the verified letter of Oren G. Shaffer, dated August 26, 2002, that addresses the issue of restatement of financials as it relates to GAAP compliance for the BOC.

engagement for the year 2000 was combined with 2001 and the report was issued in 2002.

VERIFICATION

I declare under penalty of perjury that the foregoing is true and correct, and that my June 13, 2002, declaration filed in this docket is true and correct.

Executed on August 27, 2002.



Marie E. Schwartz

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

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DECLARATION OF MARIE E. SCHWARTZ

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Compliance with Section 272 by the BOC**

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Marie E. Schwartz